IDAHO

STARTING A SPECIALTY FOOD BUSINESS

A Comprehensive Guide for Idaho Specialty Food Processors

2018 Edition

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INTRODUCTION

You have a terrific recipe for a unique salad dressing. Your family and friends have raved about the dressing for years and are now encouraging you to bottle and sell it. It's true, everyone loves your secret recipe and it has made a nice gift on more than one occasion. It sounds simple - turn your labor of love into a profit! Create your own "specialty foods business."

However, a lot of planning is required when starting your new specialty foods business. A few questions you will need to answer are:

- What do I name my product?
- Who will purchase my product?
- How do I price my product?
- Where do I sell my product?
- How do I package and label my product to appeal to my target demographic?
- Where do I make my product commercially?
- How do I grow my business?
- How do I fund my new enterprise?

Don't be intimidated by this list of questions. There is an abundance of information and technical advice available to you as a budding food entrepreneur. Many successful specialty foods businesses have been built in Idaho from family-favorite recipes, quality local ingredients, and a lot of hard work. The secret to success is thorough research and a commitment to quality.

This handbook will discuss the major considerations involved in building a specialty foods business in Idaho. It will offer tips on how to avoid pitfalls and provide contacts in both the public and private sectors, and will be a valuable resource as you pursue your new business venture.

IDAHO STATE DEPARTMENT OF AGRICULTURE

The Idaho State Department of Agriculture's Market Development Division offers the following services to you:

- Domestic and International Market Information
- Trade Shows
- Marketing Plan Workbook
- Promotional Events
- Occasional workshops and training
- Potential Buyer Contacts
- One-on-one consultations regarding packaging, labeling, marketing, regulatory compliance, and social media training

Idaho State Department of Agriculture
Market Development Division
2270 Old Penitentiary Road
Boise, ID 83712
Tel: (208) 332-8530
Fax: (208) 334-2879
Email: marketing@agri.idaho.gov
Web: www.agri.idaho.gov

UNIVERSITY OF IDAHO EXTENSION

The University of Idaho Food Technology Center is also an excellent resource. Housed with the Agribusiness Incubator in Caldwell, they offer one-on-one consulting for product and business development and classes for developing your food product idea. Their on-site staff can walk you through every intricacy of food product development. The fully-equipped, 7,000 sq. ft. facility includes a commercial kitchen capable of producing a wide variety of different foods.

Caldwell Research and Extension Center
Agribusiness Incubator
1904 E. Chicago Street, Suite AB
Caldwell, ID 83605
Tel (208) 459-6365
Fax: (208) 454-7612
Email: jtoomey@uidaho.edu
Web: uidaho.edu/cals/caldwell

University of Idaho
Food Technology Center
1908 E. Chicago Street
Caldwell, ID 83605
Tel: (208) 795-5331
Email: baumhoff@uidaho.edu
Web: uidaho.edu/cals/food-technology

Where to Process Your Product

Your own Kitchen—Cottage Food Operation

Under the Idaho Food Code, cottage foods are specific foods that can be made in a person's home or other designated location and sold directly to a consumer, within the state of Idaho, through farmers' markets, home sales, roadside stands, online (in-state), mail order (in-state), personal delivery, or delivery service without regulatory oversight. Neither the local Public Health District nor the Idaho Department of Health and Welfare require a cottage food producer to obtain a food establishment permit or license. However, as a cottage food operation, you will need to have a sales tax permit and may need a business license depending on which city or county you live in. The Idaho Department of Health and Welfare (DHW) maintains updated information related to cottage foods on the Food Protection Program's website at www.foodsafety.idaho.gov.

Cottage food producers are allowed to produce foods that are low-risk and do not require Time/Temperature Control for Safety (TCS). These types of foods are frequently referred to as non-TCS foods.

The list below contains examples of non-TCS foods that are allowed (check DHW's Food Protection Program website for the most current list):

- Baked goods that do not require refrigeration
- Fruit jams and jellies
- Honey
- Fruit pies
- Breads
- Cakes that do not require refrigeration
- Pastries and cookies that do not require refrigeration
- Candies and confections that do not require refrigeration
- Dried fruits
- Dry herbs
- Seasonings and mixtures
- Cereals
- Trail mixes and granola
- Nuts
- Vinegar
- Popcorn and popcorn balls
- Cotton Candy

To determine if your product can qualify as a cottage food, contact your local Public Health District and complete the Cottage Foods Risk Assessment Form found at www.foodsafety.idaho.gov. This should be reviewed by and signed by an Environmental Health Specialist from the local Public Health District that covers the county where your product will be processed.

Cottage foods do not include:

- Low acid canned foods (such as canned fruits, canned vegetables, canned meat, and canned pie fillings)
- Fermented foods (such as cheese and yogurt)
- Acidified foods (such as pickled products and canned salsa)

If your recipe includes one or more of these items, you will need to produce it outside of your home in a commercial kitchen.

IDAHO FOOD CODE

All other food operations that do not fall under the Idaho Cottage Food law must submit a written application for a food establishment license on forms provided by your local health district.
For more information visit foodsafety.idaho.gov.

To find your local Idaho Health District Office, please refer to Appendix C.

You will not be covered under the Idaho Cottage Food law if any of the following apply:

- Your food product does not qualify as a cottage food
- You want to sell your products outside of the State of Idaho
- You want to sell your products to retailers, distributors, or brokers
- Your home kitchen is not suitable

Commercial Kitchen Facilities

Commercial kitchens are licensed facilities designed for food production. There are commercial kitchens available for use throughout the state, or you might be able to rent space in a local restaurant, church, school, or community center kitchen that has been approved by your local Health District. A list of Idaho commercial kitchens can be found at agri.idaho.gov/main/marketing in the Domestic Programs section under the Marketing tab or you can call the Idaho State Department of Agriculture at (208) 332-8530 to have one sent to you.

Co-Packing

As your company grows, your current processing location may not be the most convenient for developing new products or expanding product lines. Under a co-packing arrangement, you contract with an existing food processor to manufacture and package your product using your recipe and your quality specifications. To ensure a successful product launch you will want to visit the processing facility and oversee initial production runs.

Shared Processing Facility

Another option is a shared or cooperatively-owned kitchen or processing facility which may offer a range of services, from a simple lease of common kitchen space to an opportunity to invest in a production cooperative, which enables members to pool equipment, packaging and input materials, product liability insurance, shipping costs, and even marketing and promotional expenses.

PLANNING FOR GROWTH

Increasing production from a single batch to commercial scale may require some modifications to your recipe and possibly the addition of stabilizers, emulsifiers, and preservatives. This does not mean that your quality or taste needs to be compromised, but that adjustments may be necessary.

We recommend you seek the technical advice of qualified food technologists on the safety of your ingredients, shelf life, nutritional content, and toxicology. Many of your questions can be handled over the telephone, but some require laboratory analysis. There are several privately run laboratories and registered dieticians which can assist you.

You can find **Food Processing & Laboratories Resources** and a list of **Food Processing Publications** in *Appendix B* of this book.

Some of the product quality and safety areas that you will need to consider include:

Microbiological

- Total bacterial count
- E-coli
- Yeast and mold
- Staphylococcus

Nutritional Content Per Serving

- Protein
- Sodium
- Calcium
- Fiber
- Cholesterol
- Phosphorus
- Vitamins (A, C, B1, B2)
- Iron

PERMITS, LICENSES, AND REGULATIONS

Health Licenses

As mentioned earlier, you are not permitted to manufacture your food product in your home kitchen unless you comply with the Idaho Cottage Food Law. If you opt to use a commercial kitchen it will need to meet minimum requirements spelled out in the Idaho Food Code, which governs food sanitation standards for food establishments.

Under the Idaho Food Code, you must submit a written application for a food establishment license on forms provided by your local health district. Keep in mind there are seven regional health department districts within Idaho. Refer to *Appendix C* to see which one covers the county where your product will be processed. Once approved, this will license the operator, who is the actual food processor, and is valid for one (1) calendar year. The license only applies to the product you are making and how it is being processed in a specific kitchen. If you add a product, change the process or move to a different kitchen, you need to get a new approval from the public health district. You will also need to renew your license at the end of each calendar year.

If you are using a facility that is already approved, you still need to obtain a license from the health district for your personal business within your city or county. The health district's environmental health official must review and approve your processing facility plans prior to retrofit and/or construction. A final inspection will be made prior to licensing. Some of the areas that will be covered in this plan review and on-site inspection include the following:

- Site plan, floor plan, and mechanical plan
- Construction materials for floors, walls, and ceilings
- Plumbing: Separate sink for worker sanitation
- Processing equipment
- Food safety and sanitation training
- Quality control checks
- Packaging and labeling
- 3-compartment sinks for equipment clean-up
- Source and storage of ingredients, including processing steps

Business Licenses

Depending on where you live, you may be required to obtain a business license from the city or county. To find out if your specific business activities require a license or is regulated in some way by your local authorities, contact your local county or city's clerk or recorder's office.

Mandatory Supervisor Training

During food processing at a location other than a home kitchen, at least one employee must be trained in food safety and sanitation and on duty during the food preparation. All food workers must also receive specific training in their area of responsibility. For more information regarding various training options, contact your nearest district health office.

Food and Drug Administration Regulations

The U.S. Food and Drug Administration (FDA) regulates food manufacturers that are selling food products in interstate commerce or receiving ingredients through interstate shipment. For small-sized food processors, which do not have a significant percentage of interstate sales, the FDA will contract with the State Health and Welfare Department (health districts) to inspect these facilities. To determine whether your company will fall under the FDA's jurisdiction, you must contact your district health department. In addition, if a processor is manufacturing an acidified food product such as canned salsa or pickled products, FDA requires the manufacturer to complete the Better Process Control School class which is usually instructed by a Processing Authority at a major University. Contact your local district health department for more information.

As part of the Bioterrorism Act passed in 2002, companies that manufacture, process, pack, or hold food for human or animal consumption must register online with the FDA. There is no fee for the registration. More information is available at www.fda.gov/Food/

U.S. Department of Agriculture (USDA) Regulations

If a packaged product for resale contains three percent or more meat products (by weight), the processor will fall under USDA inspection which requires a detailed Hazard Analysis Critical Control Point (HACCP) Plan and a Food Safety and Inspection Service (FSIS) inspector on-site during processing. For questions about USDA requirements, contact the Small Plant Help Desk at 1-877-FSISHELP (1-877-374-7435) or email infosource@fsis.usda.gov.

When developing a label for food products that contain three percent or more meat, your label may need to be approved by the USDA, FSIS through their Labeling and Additives Policy Division (LAPD). The distinctions are listed as follows:

USDA Label Approval Not Necessary (Generic Label Approval):

If the label is for a single ingredient amenable product that bears no special claims, nutrition facts, organic certification, guarantees, foreign language, or animal production claims, it is a generic approval.

If the label is for an amenable multi-ingredient product that bears no special claims, nutrition facts, organic certification, guarantees, foreign language, or animal production claims, the label can either be a generic approval or submitted to the Labeling Compliance Team (LCT) attached to a label application form.

If your product qualifies for a Generic Approval Label, you do NOT have to submit your label to FSIS LAPD for approval. However, you must comply with the standards set forth by FSIS LAPD, which are outlined online at: www.fsis.usda.gov/ Regulations_&_Policies/index.asp.

USDA Label Approval Necessary:
For any product that does not fit either of the above definitions, the label and an application form must be electronically submitted to the LAPD for approval through the Label Submission and Approval System (LSAS). For information on how to access this system, fact sheets, labeling guidance and other information, please go to https://www.fsis.usda.gov/wps/portal/fsis/topics/regulatory-compliance/labeling/label-submission-and-approval-system. In addition, when small businesses have questions about their labels after being evaluated by label evaluation staff, those businesses can arrange a phone consultation with the labeling staff member who performed the label review. Contact an LSAS administrator if you need assistance or have a technical issue: (301)504-0837.

Quality Control

Performing what is termed "hazard analysis at critical control points" (HACCP) is a widely accepted quality control process. It is required for all types of food manufacturers. There are a few key definitions to keep in mind as you begin this process:

- **Hazard** - an unacceptable contamination, survival, or growth of micro organisms of concern to safety, spoilage, or toxins in the food product that is reasonably likely to cause illness or injury in the absence of its control
- **Critical control point** - a step at which control can be applied and is essential to prevent or eliminate a food safety hazard or reduce it to an acceptable level
- **Critical Limits** - criteria that separate what is considered acceptable to what is unacceptable.

There are seven basic principles considered when developing a HACCP plan:

1. Hazard Analysis
2. Critical Control Point Identification
3. Establishing Critical Limits
4. Monitoring Procedures
5. Corrective Actions
6. Verification Procedures
7. Record-keeping and documentation

Under this system, if a deviation occurs and control has been lost, the deviation should be detected and the appropriate steps should be taken to reestablish control in a timely manner to ensure that potentially hazardous products do not reach the consumer.

Collecting Sales Tax

As an Idaho food manufacturer, including cottage food producers, you are required to collect sales tax. You will need to obtain a state tax identification number from the Idaho State Tax Commission which is required to file your sales tax. If selling goods for resale to a distributor, wholesaler, or retailer, however, these types of buyers may be exempt from paying sales tax. In this case, every buyer who makes tax exempt purchases should provide you, the seller, an exemption certificate to document that fact. The ST-101 form from the Idaho State Tax Commission is the most commonly used exemption certificate. This form only needs to be completed once for each buyer. The seller must keep the form on file.

For audit purposes, keep all of your tax forms for a three-year period. For more information on sales tax regulations and forms, contact the Idaho State Tax Commission, Taxpayer Assistance, (208) 334-7660 or (800) 972-7660. You may also visit the Idaho State Tax Commission's website for more information at tax.idaho.gov.

Taxpayer Identification Number

Businesses organized as a partnership, a corporation, or a sole proprietor with employees or excise tax requirements must obtain an Employer Identification Number known as an "EIN" number. Sole proprietorships without hired employees are not required to obtain an EIN number and can use their Social Security number in place of the EIN. It is recommended, however, to obtain an EIN even if it is not required to avoid identify theft and help establish independent contractor status.

An EIN number is necessary when you file business returns. It is also used to obtain your state tax identification number. To obtain an EIN number for your own business, you may apply online at www.irs.gov/businesses. You may also apply by fax or mail. If you prefer personal assistance, there is a local IRS office located at 550 West Fort Street, Boise, ID 83724.

Other Local Permits and Regulations

We encourage you to investigate other local permits and regulations that may be required by your city, county, or the State of Idaho. These may include but are not limited to the following:

- Building and Zoning Permits
- Sewer Hookup Permits
- Property Taxes
- Commercial and Chauffeur Vehicle Licenses
- Business or Professional Licenses
- Wholesale Licenses
- State Permits

Insurance

In setting up any kind of business you will need to consider several types of insurance coverage, including:

- Product Liability Insurance
- General business liability
- Interruption and specific time element coverage
- Property/professional loss

For a food producer, it may be wise to invest in product liability insurance. Product liability insurance protects businesses in the event that a product sold or supplied through your business causes bodily harm or property damage. The cost of product liability insurance will vary greatly depending on your product. Factors include the type of product, the size of your distribution, how it's marketed, and what safety measures are in place.

Distributors and major retail chains will often require their suppliers to be covered by a minimum $1,000,000 worth of coverage and specify that the insurance certificate name them as an additional insured party. For questions, contact the Idaho Department of Insurance at (800) 721-3272 or doi.idaho.gov . For small businesses, the National Association of Insurance Commissioners provides useful information online at www.insureuonline.org.

Trademarks

A trademark is a legal claim to the exclusive right to use a particular logo, name, or other mark. The actual right is acquired by virtue of the usage of the mark in trade; registration merely puts the public on notice of the owner's claim to the exclusive right. To be registered, a mark must not be generic—it must have an element of fancifulness, uniqueness, or distinctiveness. To learn more about trademarks, the trademark process, or to conduct a trademark search in order to determine if your idea is currently in use, visit www.uspto.gov.

Although not mandatory, it is highly recommended that you register your trademark once your brand and label are established. Trademarks may be registered under state law and, if used in interstate commerce, under federal law as well.

To obtain a federal trademark application, contact the United States Patent and Trademark Office at (800)786-9199 or e-mail: HelpAAU@uspto.gov.

To receive a trademark in Idaho, you must file an "Application for Registration of Trademark/ Service Mark" and provide one copy of the mark along with a minimal fee to the Idaho Secretary of State's Office. For additional information, view their website: sos.idaho.gov/tmarks/ or call (208) 332-2811.

Universal Product Code

The Universal Product Code (UPC) is a 12-digit numeric code used to identify a retail consumer package. The UPC symbol is read by electronic scanners at the checkout stands in retail stores, allowing for ease at checkout, accurate pricing, and collection of sales data.

Participation in this electronic coding system is voluntary, however, most major retailers require their suppliers to use a UPC on products carried in their stores. For more information about UPC, you may view a web seminar at the United Nations Standard Products and Services Code on their website: www.unspsc.org . Obtaining a UPC for your product usually requires membership in the organization that provides the codes.

Gluten-Free Claims and Certification

The U.S. Food and Drug Administration (FDA) has defined the term "gluten-free" for voluntary use in the labeling of foods. Any food product bearing a gluten-free claim labeled on or after August 5, 2014 must meet the requirements of the agency's gluten-free labeling rule. With this uniform definition, consumers with celiac disease can choose foods with greater confidence. Gluten is a protein found in grains including wheat, rye, and barley. For individuals diagnosed with celiac disease, gluten causes inflammation in the small intestine and a gluten-free diet is used to manage symptoms.

FDA's 21 C.F.R. §101.91(a)(3) defines what characteristics a food has to have to bear a label that proclaims it is "gluten-free", "without gluten", "free of gluten", or "no gluten".

FDA set the gluten limit of less than 20 parts per million (ppm) in foods that carry this label. Additionally, FDA allows manufacturers to label a food "gluten-free" if the food does not contain any of the following:

- An ingredient that is any type of wheat, rye, barley, or crossbreeds of these grains
- An ingredient derived from these grains that has not been processed to remove gluten
- An ingredient derived from these grains that has been processed to remove gluten, if it results in the food containing 20 or more ppm gluten

For detailed information regarding labeling, gluten levels, and compliance, go to the Questions and Answers section: "Gluten-Free Food Labeling Final Rule and Gluten and Food Labeling" and "Gluten Food Labeling" on the FDA's website.

- www.fda.gov/Food/GuidanceRegulation/GuidanceDocumentsRegulatoryInformation/Allergens/ucm362880.htm
- www.fda.gov/Food/GuidanceRegulation/GuidanceDocumentsRegulatoryInformation/Allergens/ucm367654.htm

Certification through several independent agencies, such as the Gluten-Free Certification Organization and the Gluten Intolerance Group, include verification that food products are processed in a gluten-free environment, allowing consumers to easily identify that foods are free of gluten and free from any possible cross-contamination in the manufacturer's environment.

Foods such as bottled spring water, fresh fruits, vegetables, and eggs can also be labeled "gluten -free" if they inherently don't have any gluten. FDA does not specifically require manufacturers to test for the presence of gluten in their starting ingredients or finished foods labeled gluten-free. However, manufactures are responsible for ensuring that foods bearing a gluten-free claim meet FDA's requirements.

Organic Certification

The label "Organic" has become a value-added element of many specialty foods products. The Organic Food Production Act of 1990 requires that all products marketed as organic must be certified to meet the USDA National Organic Program (NOP) standard.

The Idaho State Department of Agriculture certifies organic producers, handlers, and processors in the State of Idaho to the NOP standard. For additional information on registering as an organic processor or grower, contact the Idaho State Department of Agriculture Organics Program at (208) 332-8680 or visit agri.idaho.gov/Organics/. The USDA authorizes third party agencies, including ISDA and other facilities, to issue organic certificates.

To find specific organic farms or businesses with specific ingredients/products, visit the USDA Organic Integrity Database at organic.ams.usda.gov/Integrity/.

Non-GMO Product Verification

For companies that want to certify their food as being free of Genetically Modified Organisms (GMO) ingredients, there's the Non-GMO Project Verified seal administered by the independent Non-GMO Project.

The Non-GMO Project's Product Verification Program (PVP) is a process-based and product-based program designed to assess compliance with the Non-GMO Project Standard. The core requirements are traceability, segregation, and testing of high-risk ingredients at critical control points.

The verification process is handled by independent, third-party technical administrators who determine if a product complies with their Standard. Go to www.nongmoproject.org for more information.

Kosher Certification

To be certified Kosher, all ingredients in every product, in addition to the process of preparing the product, must be certified for kosher-compliance. Kosher foods are divided into three categories: meat, dairy, and pareve.

- **Meat:** All meat and fowl and their byproducts, such as bones, soup, or gravy are classified as Meat.
- **Dairy:** All foods derived from, or containing, milk are classified as dairy, including milk, butter, yogurt, and all cheese – hard, soft, and cream. Even a trace amount of dairy can cause a food to be considered dairy.
- **Pareve:** Foods that are neither meat nor dairy are called pareve. Common pareve foods are eggs, fish, fruit, vegetables, grains, unprocessed juices, pasta, soft drinks, coffee and tea, and many candies and snacks.

Any food product can qualify for kosher certification if it does not violate Jewish dietary law. Samples of these rules include:

- The only types of meat that may be eaten are cattle and game that have "cloven hooves" and "chew the cud" such as bulls, cows, sheep, lambs, goats, veal, and springbok
- Meat and dairy products may not be cooked or eaten together
- No shellfish
- The eggs of kosher birds, such as goose, duck, chicken, and turkey, are permitted as long as they do not contain blood. Therefore, eggs must be individually examined
- Equipment that has been used for a dairy or meat product must be sanitized before using to process other products
- The production must be verified by a Kosher monitoring agency or an Orthodox Jewish Rabbi

For a complete list, visit www.ok.org.

There are many national certification agencies that can provide kosher certification and costs vary widely depending on the agency. You may consider contacting OU Kosher online at www.oukosher.org or by phone at (212) 563-4000 for more information.

Halal Certification

Required by most countries in the Middle East, a Halal certificate states that the fresh or frozen meat or poultry products were slaughtered in accordance with Islamic law.

Certification by an appropriate chamber is required. Contact the ISWA Halal Certification Department of the USA Halal Chamber of Commerce, Inc. at www.ushalalcertification.com for more information.

Fair Trade Certification

If some of your ingredients come from overseas, such as chocolate or coffee beans, this may be of interest to you. In order to use the Fair Trade Certified™ label on products, registration with Fair Trade USA is required. Fair Trade USA is the leading third-party certifier of Fair Trade products in the United States. Fair Trade USA audits and certifies transactions between U.S. companies and their international suppliers to guarantee that the farmers and workers producing Fair Trade Certified goods are paid fair prices and wages, work in safe conditions, protect the environment and receive community development funds to empower and uplift their communities. Go to www.fairtradecertified.org for more information.

PACKAGING AND LABELING

In the food industry, packaging is as important as the product inside the container. There are several factors to consider when designing a food package and selecting the appropriate container. Here are some key questions to ask yourself:

1. Does it tell the consumer what company made or packaged the product?
2. Does it establish your "brand"?
3. Does it describe and enhance your product?
4. Does it set your product apart from the competition and establish a niche in the marketplace?
5. Will it appeal to your target consumers?
6. Does it conform to federal and state laws?
7. Does it meet the retailer's need?
8. Can you charge enough to cover the costs of the packaging and still make a profit?
9. Is it efficient within the current processing system?

Product Containers

There are a variety of containers to select from: glass, plastic, cellophane, paper, cardboard, wood, and metal canisters. The type you select will depend on many variables, but at a minimum should protect your product from contamination and should enhance its best-selling features. Avoid odd-sized containers when first getting started. As a general rule your container should fit and stack on standard store shelves. The selling price that best fits your market will influence the size of your container. For example, a smaller container (8 ounce) will likely sell faster than a larger container (16 ounce), resulting in faster repeat sales.

MacRae's Blue Book is an industrial directory that can assist you in locating companies that specialize in food containers and service your particular state. You may reach them via their website at macraesbluebook.com.

Tamper Resistant Seals

Many retailers insist the food products carried in their stores are tamper resistant. These can be simple ribbons, seals, stickers, or bands that can be integrated attractively into your package and label design.

Label Design and Printing

There are several factors to consider when designing and printing labels for your product based on production budget:

- Simple design or original artwork
- Standard or custom shape cutting dies
- Glue or pressure sensitive labels
- Number of ink colors and protective coating/varnish

The primary goal should be to limit initial production costs. One way to do that is to start with relatively simple and readily available stock items. Avoid ordering thousands of jars and labels, even if you are tempted by the volume discounts, until you are certain you have found the right look and there are no errors or changes needed on your label.

Labeling Requirements

To help minimize mistakes and avoid having products pulled from the marketplace, it is essential for producers to take a close look at federal label requirements. There are at least three federal laws that ensure food products are properly labeled and packaged. Those laws include the Federal Food, Drug, and Cosmetic Act (FD&C Act) and the Fair Packaging and Labeling Act, which are the Federal laws governing food products under FDA's jurisdiction. It also includes the Nutrition Labeling and Education Act (NLEA), which amended the FD&C Act, and provides nutrition labeling requirements.

The FDA is the primary agency charged with enforcing these laws. In addition, officers of the State Bureau of Weights and Measures (under the Idaho State Department of Agriculture) are charged with inspecting improperly labeled quantity claims.

If you will be involved in interstate commerce, such information as the statement of product identity, net quantity, an ingredient list (including allergen statement), the name and place of business, as well as nutritional information is required to be placed on the label. The FDA details all of the requirements for food labels on their website at www.fda.gov/food.

Cottage Food Labeling

Idaho Cottage Food producers are not required to follow all of the FDA labeling requirements, but must include contact information for the cottage food operation as follows (printed in English):

1. By a clearly legible label on the product packaging; or a clearly visible placard at the sales or service location that also states:
2. The food was prepared in a home kitchen that is not subject to regulation and inspection by the REGULATORY AUTHORITY; and
3. The FOOD may contain allergens.

Although not required, it is good business practice to include a statement of product identity, list of ingredients and sub-ingredients, including disclosure of any of the food allergens listed under the Food Allergen Labeling and Consumer Protection Act, date produced, and statement of net quantity.

Should you wish to make the claim a product is "organic", "gluten free," or any other special claims, you may be subject to additional labeling requirements and/or regulation if at some point you decide to further distribute your product.

Principal Display Panel (PDP) of the Food Container

Certain required statements must be placed on what is called the Principal Display Panel (PDP). Please refer to the FDA website for detailed information (www.fda.gov/food) .The PDP portion of the label is the area most likely to be seen by the consumer at the time of purchase. For food products standing on a shelf, the PDP is typically the front panel. For those products stacked in a refrigerated case, the PDP is usually the top panel. Statements required on the principal display panel include:

1. Statement of product identity or name of the food
2. Statement of net quantity or amount of the product

Statement of Product Identity

Product identity is the truthful or common name of the product. An identity statement consists of the name of the food and should appear in prominent print or type. The type size should be at least one half of the size of the largest print appearing on the PDP.

Common or usual names such as "raspberry jam" or "bean soup" should be used. A descriptive or fanciful name is permitted if the nature of the food is obvious but should not be misleading. If the food is subject to a standard of identity it must bear the name specified in the standard of identity (example: dairy products). A description of the form of the food must be used if the food is sold in different forms such as sliced or un-sliced, whole, halves, etc.

Statement of Net Quantity

Net quantity should be distinctly displayed on the bottom one third of the label on the Principal Display Panel, parallel with the base of the container. Select a print style that is prominent and easy to read. Letters cannot be more than three times as high as they are wide and lettering must contrast sufficiently with the background to be easy to read. Minimum type size should be determined by the total area of the PDP, following the guidelines below:

Type size	Area of the Principal Display Panel
1/16 inch	5 sq. inches or less
1/8 inch	more than 5 but less than 25 sq. inches
3/16 inch	more than 25 but less than 100 sq. inches
1/4 inch	more than 100 but less than 400 sq. inches
1/2 inch	more than 400 sq. inches

Net quantity can be stated as volume or weight depending on the viscosity of your product and determined by consumer standards. Liquids are sold and labeled as net volume while solids, semi-solids, and viscous products are sold and labeled by weight. Keep in mind that dry products are measured in ounces and grams, while liquid products are measured in fluid ounces and milliliters.

While liquids can be labeled in accordance with the size container being filled, this is not so for a product sold by weight. To determine net weight, subtract the weight of the empty container (including lid, label, etc.) from the weight of the container when filled. Net weight should include all ingredients, including water or syrup used in packing the food.

Net quantity must be stated in both units of the U.S. Customary System (ounces/fluid ounces) and Metric measure (gram/milliliter). Dual declaration in both ounces and the largest whole unit (i.e. 2 lbs 12 oz) is optional. When making conversions to metric measure, use the following formulas and round down to prevent overstating the contents:

Weight: 1 oz = 28.3495 g **Volume: 1 fl oz = 29.575 ml**

Examples of proper Net Quantity Statements:

Net Wt. 8.5 oz (240 g); Net Wt. 16 oz (1 lb) (453 g); Net Wt. 1.5 lb (680 g); Net 12.7 fl oz (375 ml); Net contents 32 fl oz (1 qt) (946 ml); Net 237 ml (8 fl oz)

Information Panel

It is not necessary for all required information to be on the "front" of the Principal Display Panel. The ingredient list along with name and place of business may appear on the information panel. The information panel is the label panel immediately to the right of the PDP, as displayed to the consumer. If, due to the package shape, there is no room immediately to the right of the PDP, the information panel may be on the back of the package.

Ingredient List

Ingredients must be listed in descending order of predominance by weight in type size at least 1/16 inch in height.

Always list the common or usual name rather than the scientific name. Added water is considered to be an ingredient and must be identified.

Approved chemical preservatives must be listed, using both the common name and a statement specifying the ingredient is a preservative. The exact function of the preservative may also be included. Incidental additives that have no function or technical effect in the finished product need not be declared. Approved artificial food colors must also be stated by name. The only ingredient where the words “and/or” can be used is oils.

All components of ingredients must be specifically listed with the exception of spices and natural flavors which can be declared by their common name or simply by "spices" or "natural flavors."

Foods containing any of the major food allergens listed below under the Food Allergen Labeling and Consumer Protection Act must declare the allergen in plain language, either in the ingredient list or via the following statements:

- the word "Contains" followed by the name of the major food allergen – for example, "Contains milk, wheat" – or
- a parenthetical statement in the list of ingredients – for example, "albumin (egg)"

Such ingredients must be listed if they are present in any amount, even in colors, flavors, or spice blends. Additionally, manufacturers must list the specific nut (e.g., almond, walnut, cashew) or seafood (e.g., tuna, salmon, shrimp, lobster) that is used.

Food Allergen Labeling and Consumer Protection Act (FALCPA)

To help Americans avoid the health risks posed by food allergens, this law applies to all foods whose labeling is regulated by the FDA, both domestic and imported. (FDA regulates the labeling of all foods, except for poultry, most meats, certain egg products, and most alcoholic beverages.) The law requires that labels must clearly identify the food source names of all ingredients that are, contain any protein derived from, the eight most common food allergens, which FALCPA defines as "major food allergens." While more than 160 foods can cause allergic reactions in people with food allergies, the law has identified that these foods account for 90 percent of food allergic reactions and are the food sources from which many other ingredients are derived. The eight foods identified by the law are:

- Milk
- Eggs
- Fish (e.g., bass, flounder, cod)
- Crustacean shellfish (e.g. crab, lobster, shrimp)
- Tree nuts (e.g., almonds, walnuts, pecans, coconut)
- Peanuts
- Wheat
- Soybeans

Organic Labeling Claims

There are specific guidelines for organic processors which limits the use of organic on labels as follows:

Products labeled as "100% organic", "Organic", and "Made with organic (specific ingredients or food groups)" must be handled by a certified organic operation. Organic production prohibits the use of GMO ingredients, sewage sludge, or ionizing radiation in addition to label specific criteria.

- Products labeled as "100% organic" must contain only organically produced ingredients and processing aids, excluding water and salt. No other ingredients or additives are permitted.

- Products labeled as "organic" must contain at least 95 percent organically produced ingredients (excluding water and salt). Any remaining ingredients must consist of non-agricultural substances that appear on the National Organic Program's National List of Allowed and Prohibited Substances. The full list of substances is available on the USDA NOP website at https://www.ams.usda.gov/rules-regulations/organic/national-list.
- Products that contain at least 70 percent organic ingredients can use the phrase "made with organic ingredients" and list up to three of the organic ingredients or food groups on the principal display panel.
- Products with less than 70 percent organic ingredients cannot use the word "organic" anywhere on the principal display panel, but may identify specific ingredients that are organically produced in the ingredients list of the information panel.

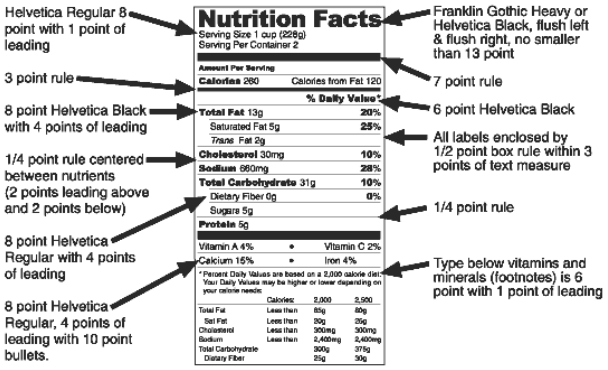
For a downloadable information sheet on organic labeling from the USDA, visit ww.ams.usda.gov/sites/default/files/media/Labeling%20Organic%20Products%20Fact%20Sheet.pdf

Name and Place of Business

The name and place of business of the manufacturer, packer, or distributor must appear next to the ingredients statement in type size at least 1/16th inch high. The street address must appear unless it can be readily found in some public document such as a telephone book or city directory.

Nutritional Labeling and Education Act (NLEA)

The Nutrition Facts label must be placed together with the ingredient list and the name and address (name and address of the manufacturer, packer, or distributor) on the PDP. These three label statements also may be placed on the information panel (the label panel adjacent and to the right of the PDP, or, if there is insufficient space on the adjacent panel, on the next adjacent panel to the right). On packages with insufficient area on the PDP and information panel, the Nutrition Facts label may be placed on any alternate panel that can be seen by the consumer.



Example of Graphic Enhancements used by the FDA found at:: www.fda.gov/Food/GuidanceRegulation/GuidanceDocumentsRegulatoryInformation/LabelingNutrition/.

Nutrition Facts Labels are required on all food products, with the following exceptions:

- Restaurant food
- Delicatessen-type food, bakery products or confections sold directly to consumer from location where prepared
- Foods that provide no significant nutrition, such as instant coffee (plain, unsweetened) and most spices
- Infant formula and infant and junior foods up to four years of age (modified label provisions for these categories)
- Medical foods
- Bulk foods intended for repackaging or further processing
- Fresh produce and seafood
- Custom-processed fish and game

Low-volume food products processed by small businesses may be exempt from nutritional labeling requirements if they meet all of the following criteria:

1. The product provides no nutrition information and makes no defined health claims.
2. The firm claiming the exemption has less than the equivalent of 100 full-time employees.
3. During the previous 12 months, less than 100,000 units were sold or it is anticipated that less than 100,000 units will be sold during the period for which an exemption is claimed.
4. The exemption must be claimed prior to the period for which it is to apply.
5. If, after filing an exemption, either the number of employees or volume of product sold annually increase and your exempt status is lost, then you would have 18 months from the date that product was no longer qualified to comply with this requirement.

For each product, the company must apply to FDA annually to obtain a small business exemption if the above criteria are met. For additional information about small business nutrition labeling exemptions, please go to www.fda.gov/Food/GuidanceRegulation/GuidanceDocumentsRegulatoryInformation/LabelingNutrition/ucm053857.htm.

If your company is not an importer, employs less than ten full-time employees, and the product has sales of less than 10,000 units per year, you do NOT have to file for the exemption. If the exemption does apply to you, be sure to contact the Food and Drug Administration to obtain a Small Business Food Labeling Exemption form. Visit www.fda.gov/ora/inspect_ref for more information.

If nutritional information is provided, it must follow a defined format and include specified nutrients. The nutritional panel may vary according to the size of the package. Foods sold in very small packaging (less than 12 square inches of total available labeling space) may omit the nutritional label but must include a statement and address where nutrition information can be obtained.

Nutritional Claims

If a nutrient content claim is made, such as "low fat" or "reduced calories", a nutritional panel is required, along with scientific proof, to support that claim regardless of product sales volume. Terms used on the label such as “Healthy”, “Free”, “Less”, “High”, “More”, “Low”, “Good Source of”, “Light”, “Reduced”, “Fewer”, “Lean”, and “Extra Lean” must meet FDA definitions.

No statements or symbols are allowed to imply unauthorized nutrient claims. This includes heart vignettes that may imply “healthy," unless the vignette is clearly used in another context.

Nutrition labeling on retail bulk foods is also required.

Prominently displayed nutritional information on raw fruits, vegetables, and seafood at the point of sale is voluntary.

Potential GMO Labeling Regulations

Food derived from genetically engineered plants must meet the same safety, labeling, and other regulatory requirements that apply to all foods regulated by FDA. FDA has required additional labeling of food derived from a genetically engineered source where it found that differences resulted in material changes.

On July 29, 2016, the President signed into law the National Bioengineered Food Disclosure Standard (Public Law No. 114-216) which, in part, directs USDA to establish a national standard to disclose certain food products or ingredients that are “bioengineered.” As a result, the regulations USDA issues will establish requirements for labeling human food products derived from biotechnology. Questions regarding these requirements should be directed to USDA’s Agricultural Marketing Service. For more information, visit https://www.fda.gov/Food/IngredientsPackagingLabeling/GEPlants/ucm346858.htm.

Labeling Information Resource:

U.S. Food and Drug Administration
10903 New Hampshire Ave.
Silver Spring, MD 20993
Phone: (888) 463-6332
Website: www.fda.gov/FoodLabelingGuide

MARKETING

Marketing is the overall process of meeting customer needs. It is more than selling. It involves the development of a product that consumers want to purchase and then communicating the product's existence to purchasers. The elements of marketing are frequently referred to as the "Four P's": Product, Price, Place (Distribution), and Promotion.

Marketing decisions are directly influenced by customers and competitors. The customer is your number one priority. Success hinges on the customer's initial and repeat purchases. In order to market a product, you must analyze your customers according to their needs, the price they're willing to pay, and the best place for them to purchase your product.

You cannot be all things to all people. The advantage of being involved in the specialty foods business is the unique nature and variety of products. Unique specialty products appeal to unique customer segments. Therefore, do not try to sell your product to everyone. The particular group of customers your product is designed for is your niche.

You can begin to determine your customer niche by listing the demographic characteristics of your potential customers. Demographics can include such things as residence, age, income, education, type of employment, number of children, and gender.

The Customer

Further describe your customers by looking at their psychographic characteristics and purchasing behaviors. This includes paying attention to their lifestyle, hobbies, attitudes, where they shop, and what type of media they interact with most—social media, the internet, smart phone apps, magazines, newspapers, television, or radio.

The term lifestyle refers to how people spend their free time. Do they entertain guests at home, have a preference for concerts or theater, prefer whole wheat bread over white, exercise regularly, etc. Attitude includes a person's commitment to health foods, concern for the environment, political views, price sensitivity, etc. By further understanding the characteristics of your customers, you can appeal to their tastes and preferences and learn how to reach them.

This type of information can be gathered in the following ways:

- National publications which print statistics and trends
- Associations related to the specialty food industry or the type of product you plan to sell
- Direct mail questionnaires and surveys
- Response cards included in a food package

Once you have defined your market segment, this will allow you to concentrate your distribution and promotional efforts to those customers most likely to make a purchase. Furthermore, you can adjust your product, packaging, and image to more fully meet their needs.

Competitor Analysis

To determine your niche in the marketplace, thoroughly examine competitors in your product category. Small food producers cannot compete head-to-head with large manufacturers. It is difficult to compete by copying an established product, even in the specialty foods industry. By looking at the competition, you can determine what you can do to make your product stand out and more effectively meet the needs of your customers.

Ask yourself - is there a need for a better tasting product or one with an improved consistency or texture? Can you improve the packaging or offer the product at a lower price? Are competitors neglecting a market segment?

Positioning

Positioning a product means creating an image for the product in the mind of the consumer. There is a great opportunity for specialty foods producers to create an image that appeals to their target market. Specialty and gourmet food purchases are influenced more by emotion and image than mainstream grocery products.

Once again, select how you prefer to position your product after analyzing your customers and competitors. Products can be positioned as:

- Made with local ingredients
- Meets consumers' special needs (e.g. organic, gluten free, kosher, etc.)
- Superior quality
- Chosen by Top Chefs
- Goodness of homemade
- Country flavor
- Upscale appeal

An image is created through the use of the Four P's previously mentioned: the product itself, package design, price, placement of distribution outlets, and promotional materials (including packaging). Each of your marketing decisions in these areas must be consistent with the position you are trying to achieve. For instance, positioning your product as "chosen by top chefs" but trying to place it on every retail shelf in the Northwest rather than distributing through only the finest gourmet specialty stores may be contradictory.

Product Attributes

Today's consumer has many food choices. To succeed in the food industry, any new product must offer a significant advantage over existing products. Small producers succeed through providing a product that is somehow different than the leading brands in a product category.

These differences may include, but are not limited to, the following:

- Produced locally
- Better taste
- Improved packaging
- Gourmet image
- Lower price
- Exotic origin
- Unusual use
- Hand-made
- Greater convenience
- Increased freshness
- Improved consistency
- Fat-free, lower calorie
- Health benefits
- All natural

Product decisions also include presentation, such as packaging and labeling. Even though labels require specific placement and information to meet FDA regulations, your label can still be eye-catching.

Pricing

Determining your costs can be complicated. Costs include ingredients, processing, packaging, labeling, marketing, shipping, trade allowances, insurance, administration, overhead, and debt. Costs will be split up for each product as your product line expands.

The specialty foods industry uses profit margins to develop prices. With this pricing strategy, the selling price less the profit margin equals the cost (Selling Price - Profit Margin = Cost).

You can begin the pricing process by determining the selling price at the consumer level. Like your other marketing decisions, your price must be consistent with your overall marketing strategy. Use competitor's prices as a starting point to ensure you are in the same price range.

Next, subtract the retailer and distributor margins. Most retailers in the specialty foods industry use a margin approximately 40%-50%. Distributor margins are generally a minimum of 25%. Broker fees are usually deducted from the profit margin and range from 5%-15% depending upon the type of broker used.

Example: Retail selling price of $5.00, manufacturing cost of $1.40, and shipping costs of 5 cents per unit:

Retail Level:	Retail selling price: (P)	$5.00
	Retailer's margin: (M)	40%
	Retailer's cost/unit (C)	C
Formula: P = C/(1.00-M)		
Cost = $3.00 (purchase price of $2.95 + 5 cents shipping & handling		
Distributor Level:	Distributor selling price: (P)	$2.95
	Distributor's margin: (M)	25%
	Distributor's cost: (C)	C
Formula: P = C/(1.00-M)		
Cost = $2.22 (purchase price of $2.17 + 5 cents shipping & handling)		
Processor Level:	Processor selling price: (P)	$2.17
	Processor's margin: (M)	M
	Processor's cost: (C)	$1.40
Formula: P = C/(1.00-M), Margin = 36%		

Remember, broker commissions generally come out of the profit margin and are not included in the cost amount. Thus, any broker commissions must be deducted from this 36% gross profit margin.

Is this margin acceptable? If not, the price to the consumer will need to be changed or your costs need to be reduced. Keep in mind, that there are limits to the price you can charge for a product without encountering consumer resistance. The same is true of the low end. If a product is priced too low, consumers may perceive it is lower quality.

Although many Idaho specialty foods producers do not have distributor services, consider including distributor margins in your original pricing. As you grow and add distributors, you will not want your buyers to experience significant price increases when those costs are added.

In addition, there are “price-points” where small changes in price can have a significant effect on sales. These price points are just below the even dollar amount. For example, if your retail price is $5.07 you may want to consider lowering it to $4.99 or $4.95 to create a more favorable consumer perception of the price.

Placement

Product placement refers to where your target customer will ultimately purchase the product. There are several options available to specialty foods producers regarding placement: direct from the manufacturer, retail stores, and food service.

Direct from Manufacturer
Sales made directly to the customer include purchases at consumer fairs, holiday fairs, farmers markets, direct mail orders, online, etc. With direct sales, the manufacturer has control over pricing, customer service, and presentation.

- **Gift stores** range from floral shops and kitchenware retailers to hotel souvenir shops. Kitchenware stores can be excellent outlets for specialty foods being used in food preparation such as baking mixes and sauces. Floral shops, on the other hand, may be better suited for ready-to-eat foods such as chocolates and beverages. Souvenir shops are better for the "unique, locally made" foods.
- **Specialty foods stores** target food buyers where products only have to compete with other similar food items. Retail specialty foods stores have one great advantage - they are often targeted to specific food buyers. There are health food stores, organic food stores, gourmet stores, ethnic stores (Italian, German, etc.), and others, each with a different customer base.
- **General food stores** are suitable for those processors pursuing a lower price, higher volume strategy. General food store customers are often more price sensitive than specialty foods store customers. Thus, price must be more competitive and advertising more extensive in order to move the product. Obvious challenges in grocery retail distribution include slotting and failure fees, retail shelf space, and capacity.
- **Natural food stores** specialize in health foods, organic and natural products, and local items. Many natural grocers have the flexibility to work more directly with producers and can often purchase on trial orders. Customers at natural food stores typically make purchasing decisions based on the perceived health benefits and location of where the product was made.
- **Retail stores** There are a variety of different retail outlets to consider. Each one caters to a different type of patron.

Retail Store Slotting Allowance - Grocery retailers are faced with limited shelf space and thousands of new food product introductions annually. Slotting fees are charged to processors of new products to cover the costs of adding the new product to the shelf. Slotting fees were initially introduced to cover the expense of introducing new products and removing the many failures. The use of slotting fees varies by retailer.

In some cases it is impossible to avoid paying slotting fees for the introduction of your product. To help decrease the cost of slotting fees, put careful thought into your product strategy. Build a track record by first selling to independent grocery stores rather than chain stores. Develop a product that consumers want, create product awareness and demand, and support the product once it is on the shelf. Retailers are less likely to discourage a product through high slotting fees if they believe the product will succeed.

Retail Merchandising and Retail Shelf Placement - Even in a gourmet retail store, your product will be surrounded by other products competing for the buyer's attention. In addition to creative packaging and labeling, increased attention can be achieved through planned merchandising.

Products placed at eye level or slightly below receive more attention than those placed below the knee or high on a shelf. Products placed on the end of an aisle or near the checkout counter also receive more attention.

More “shelf facings” dedicated to a product will also increase the exposure. Convincing a retailer to increase the shelf facings of your product can be difficult. You may need to consider expanding your product line to reach this objective.

Food Service
There is a market for gourmet specialty foods within food service companies. The local food trend has opened many new markets to specialty foods companies, such as schools, hospitals, and restaurants in a wide price range. Food service can be a primary sales strategy or a useful sampling strategy for gaining broad consumer awareness.

Distribution Methods

Once you have determined where you want your product to be available for purchase, then you can select the most effective channel of distribution. Your decision will be influenced by your capability, volume, marketing support, and target market. The various distribution channels are:

Direct to Consumer - When selling direct, the processor has the greatest control over customer service, price, shelf placement, and display.

Direct to Retailer - Initially, in order to distribute through a retail outlet, it may be necessary for the processor to sell directly to a local retailer. Attracting the attention and support of distributors and brokers can be difficult. As you build a successful track record at the local retail level, your chances of securing a broker and expanding sales volume should improve. However, some retailers will not accept direct "back door" deliveries and will require the use of a broker or distributor.

Processor to Broker - Brokers or sales representatives are commissioned salespeople who sell your product to the trade market. They can sell direct to the retailer or represent your product and sell it to a distributor. Brokers represent a number of different product lines and do not purchase the products they sell. Commissions range from 5%-15% depending upon the market serviced. Experienced brokers have access to buyers that most processors lack. They are very useful for expanding sales beyond the local market.

Processor to Distributor - Distributors purchase your products and then sell them to retailers and other distributors. They may use brokers in addition to their own sales force. Distributors offer greater sales potential due to their established relationships with many retailers.

Direct to Consumer	Direct to Retailer	Processor to Broker	Processor to Distributor
▼	▼	▼	▼
Processor	Processor	Processor	Processor
▼	▼	▼	▼
Consumer	Retailer	Broker	Distributor
	▼	▼	▼
	Consumer	Retailer	Distributor sales staff or Contracted Sales Agent/Broker
		▼	▼
		Consumer	Retailer
			▼
			Consumer

Evaluating Distribution Alternatives

Analyze Your Market

Many distributors and brokers specialize and develop a niche within the industry. Select those that reach the retailer you want.

Evaluate Special Deals

Some retailers and distributors are reluctant to carry new products due to the risks involved. Many will require special deals during the introductory stage. Examples include free merchandise, freight allowances, advertising allowances, and even price discounts:

Free merchandise can range from free samples to one free case with the purchase of ten. Distributors or retailers may pass the savings on to the customer by charging a lower introductory unit price, or they may keep the difference in order to absorb the risk.

Freight allowances are negotiated during the deal, and the processor can offer to absorb the cost of freight and ship FOB (destination). FOB stands for Free On Board. Freight allowances can also include a percentage discount for a certain quantity purchased. With this arrangement, product is shipped FOB (warehouse) but the buyer is allowed to deduct the predetermined percentage from the total shipping costs.

Advertising allowances are cooperative advertising agreements where the buyer and seller share the cost of advertising in a local newspaper or on a local radio station. For payment, the retailer would deduct their share of the advertising (the allowance) amount from the invoice.

Price discounts include quantity discounts or discounts for paying the invoice early. Discounts for early payment are expressed as percentage discounts, a specified payment due date in order to receive the discount price.
For example: "2%, 10 days, NET 30 days" means that if the invoice is paid off within 10 days the buyer will receive a 2 percent discount. Otherwise, the full amount is due within 30 days.

Evaluate your decision carefully. Only offer a special deal if it is necessary to sell the product and then only if the overall benefit will outweigh the cost. Developing a long term relationship will be difficult if you first give the product away too eagerly.

Shipping and Billing

Most specialty foods companies do not pay shipping costs and quote their prices undelivered. When shipping costs are the responsibility of the buyer, processors can avoid the headache of tracking the varying shipping rates for different destinations.

The terms used in quoting prices are FOB (city of warehouse) and FOB (city of destination). With FOB (warehouse), the buyer takes title to the merchandise when it leaves the producer's warehouse and is responsible for the shipping charges. With FOB (destination), the buyer does not take title of the product until it reaches their destination and the seller pays for the shipping and insurance. For example, if the warehouse is in Nampa, ID and the buyer is in Seattle, WA, prices quoted FOB (Nampa) indicate the buyer pays the shipping charges. For prices quoted FOB (Seattle), the seller pays the freight and any insurance.

After determining who will pay the shipping charges, method of transportation and method of payment must be selected. Specialty foods products that are shipped in lower quantities are typically transported by ground transportation such as UPS or FedEx. They may also be sent by airmail and truck.

Alternative methods of payment include Pre-Paid, COD (Cash on Delivery), and 30 day or 60 day accounts.

Promotion

Promotional and marketing expenses are necessary to increase sales and should be considered an investment in your business. There are many methods of communicating the existence of your product to consumers. Broad promotional categories include: product literature, point of sale materials, publicity, sampling, advertising, company website, trade shows, and social media.

Product Literature
There are two distinct audiences for product literature - the trade market and the consumer. Product literature developed for the trade is essential to your sales efforts. Product literature is developed to educate distributors and their sales staff on the product its benefits, and its uses.

Sales literature for the trade typically consists of a price list, catalog of products available, and product fact sheets. Product fact sheets highlight the product's benefits and may contain testimonials, company history, and notable recognitions or awards.

Literature developed for the consumer can be found in many forms such as post cards, flyers, brochures, and even newsletters, all of which should contain some form of food photography.

If you have an email list of your customers, you can send them holiday cards, electronic announcements introducing a new product, or specials offered.

Food Photography
It may be a cliché—"a picture is worth a thousand words"—but it's true! A well done photograph of your mouth-watering product looking steaming hot or freshly prepared is much more enticing than a paragraph attempting to describe the product's qualities.

Food photography and styling are special arts and, when produced well, can greatly enhance your marketing efforts. Poorly done photographs, on the other hand, can greatly discourage purchases. Invest in professionals experienced in food photography. Food photography is very different from other forms of photography and requires special handling and preparation.

Before hiring a photographer, examine their prior work. Talk to previous clients of the photographer to determine their level of satisfaction or read online reviews. Select individuals whose work you like and who you are comfortable with.

Point of Sale Materials
As the name implies, point-of-sale (POS) materials attract the consumer's attention and educate them on the benefits and uses of the product at the location where the product is sold to the consumer. Many retailers find POS materials useful in creating attractive displays and interest in their stores while others limit the use to have an "uncluttered" store environment. Ask the retailer you are working with if they allow P.O.S. materials before producing them.

- **Table tents** are tent-shaped cards placed on tables or counters and are most often used by the restaurant and food service industry. Table tents can be utilized to convey information regarding menu items or daily specials.

- **Shelf talkers** are small signs that hang underneath the product on the retail shelf. They are used extensively by grocery retailers to draw attention to the product. Shelf talkers are excellent promotional tools for new products consumers are not purposely searching for.
- **Posters** are most useful for in-store promotions or trade show exhibits. They may be hung in store windows or on walls but are used less frequently than other POS materials because of their size and cost.
- **Neck hangers** (also called product information tags) are attached to bottled products and have the potential to convey a great deal of information to consumers. Neck hangers can include recipes, more detailed product descriptions, and price or percentage-off coupons. These tags are especially useful since they require no additional effort on behalf of the retailer.
- **Recipe booklets** are especially useful for specialty foods which serve as ingredients. Novelty foods that are unfamiliar to consumers will require product use education. Recipe booklets can be attached to the product and highlighted on your website.

Publicity

There are numerous opportunities for receiving coverage in food magazines and local media. Food editors are constantly searching for new foods and companies for their articles. Most national food magazines have regular product preview columns and local success stories are of great interest to the local media. In order to capitalize on these tremendous possibilities, you must inform the media of your existence. Although there may not be a monetary charge for publicity, it is not “free.” You must put effort into it!

Your news release should be double-spaced on nice letterhead and be brief. Short releases increase your chances of coverage. If the media has more space to devote to the article, they will contact you for more information.

You must “sell” the newsworthiness of your product or your success story. Simply because the story is appealing to you does not guarantee that it will be appealing to the general public. Present your story with the media's point of view in mind using action-packed, vivid, and descriptive language. Make a short call to the contact person to confirm whether or not they received your packet and ask if they need any additional information. Do they intend to publish the piece in the near future? In all cases, be sure to thank them.

An effective publicity campaign involves strategic steps:

1. Identify your media possibilities. Be sure you get to know the person responsible for such articles. This is especially appropriate for local media.
2. Mail a press packet that includes the following items.
    - Personalized cover letter introducing yourself
    - Brochure, if possible
    - Fact sheet briefly describing the product and company history
    - Business cards
    - Graphics including your camera-ready logo
    - News release
    - Photos of product and entrepreneur (separate photos)
    - FAQ sheets going into more detail are also helpful

Sampling

The more senses you involve in your marketing strategy, the more effective your efforts will be. What better way to introduce people to your product than to stimulate the palate with a taste? After an initial trial of the product, excellent ones will sell themselves. You can utilize sampling at fairs, farmers markets, holiday bazaars, shopping malls, inside stores, and trade shows. To get the most out of sampling, select peak shopping hours when there is a great deal of traffic.

Have experienced salespeople operate the display who can interact with customers, answer questions, and point out important product features. Consider offering a special price to encourage an immediate purchase.

To locate your local farmers markets and other special events, contact the Idaho State Department of Agriculture at (208) 322-8530 as well as your local Chamber of Commerce. Idaho has many Chambers of Commerce throughout the state and can be found online at www.2chambers.com/idaho2.htm.

Advertising

The amount and type of advertising you select will depend upon your audience, which media they use most, and your budget. It is common for specialty food companies to devote 10%-15% of their annual budget to advertising.

There are two primary audiences you can advertise to—the trade and the consumers themselves. There are numerous specialty foods magazines directed at the trade. The magazines are excellent sources for reaching retailers, brokers and distributors. Generally, it is more cost effective for specialty foods producers to advertise to the trade rather than directly to consumers.

Amount of Advertising

Whether you choose consumer or trade advertising, your choice should be evaluated based upon audience, reach, frequency, cost, and editorial quality.

- **Audience** refers to the demographics of people hearing or seeing the advertisement.
- **Reach** refers to the number of target customers that will see or hear the advertisement.
- **Frequency** is the number of times the target customer sees or hears the ad. A customer who only hears or sees an ad once is unlikely to remember it. In general, a frequency of three to seven times is most effective.
- **Costs** of different media may be compared by calculating the Cost per Thousand (CPM). Divide the cost of the advertisement by the reach. Example: $40/5000 = $0.008, $0.008 x 1000 = $8 per thousand

Produce quality advertisements. Spend the money to have your advertisements professionally produced. Poor quality art work or voice work is a waste of money. Some newspapers offer design services free of charge. Some radio stations will offer their personalities to read prepared ad scripts. Be sure to ask about it.

Keep your message consistent with your overall marketing strategy. In creating your ad, begin by prioritizing the points you want to make. You can't tell the whole story in one ad, so keep it simple with concise messages. Emphasize the benefit that is most important to the consumer.

Your message will also dictate your media selection. If your ad requires visual display, radio will not deliver. It is, however, still possible to create a picture with radio advertising. Do not overlook it just because you have a food product. Be aware that costs vary widely between different media outlets. You will need to shop around and get different quotes before making a decision on the best advertising outlet for you.

Timing

To increase the effectiveness of your advertising, advertise in conjunction with other promotions such as in-store demonstrations, special tastings, coupon offers, etc. Coordination of advertising with promotional events will improve both. If running an ad or in-store promotion, be sure to choose times when there is a larger target audience or foot traffic to get the best reach.

Cooperative Advertising

You can stretch your advertising dollars by cooperating with other food processors or retailers. Look for complimentary products that are available in the same outlet to share an ad. Retailers are also looking for opportunities to reduce their advertising costs through cooperative ads with manufacturers.

Extreme caution should be used with cooperative advertising. Include in the agreement detailed specifics concerning ad copy, cost, placement, etc. Require copies of all billings if the retailer is buying the space. You do not want to be overcharged or left with an ad that only mentions your name in fine print at the bottom.

Trade Shows

Expositions provide ample opportunities for exhibitors to generate sales, check out the competition, research the market, and collect contacts. Lists of potential trade shows are available in most industry magazines and trade associations.

Make sure the attendees represent the type of buyer you are targeting and review previous show statistics such as number of attendees, who the attendees are (type of business), and their geographical spread. Contact past exhibitors to determine their success at the show. Determine the number of trade leads you need to generate to make participation cost-effective. Estimate that 20% of your contacts at a show will result in qualified trade leads. Some trade show tips include:

Focus on Motivated Buyers: There are generally three categories of attendees at trade shows:

- Those simply browsing, with no interest in your product
- Competitors and others interested in the product, but not interested in "pushing" it
- Target visitors interested in making a purchase

Qualify your buyers by asking such questions as "Thanks for coming in, what attracted you to my booth?" and "We have some exciting things here. What are you looking for at the show?" Do NOT ask "Can I help you?" The answer will invariably be "no." Distribute your business cards rather than expensive product brochures. Brochures do not get read. Send serious buyers literature after the show.

Make a Good Impression: Keep the booth area neat and uncluttered. Do not eat while in the booth. Dress professionally, smile and have a positive attitude. Hand out professionally printed business cards. Be sure to converse with visitors, not other staff. Stand in front of or to the side of your booth. Never sit in a chair while speaking with potential customers. Establish teams and take frequent breaks.

Listen: Stop talking and listen to what the trade show visitors need. Do not assume that you know what they want. Tailor your comments around their individual needs. This is an opportunity to get honest feedback about your product.

Follow-up: Keep a log of prospects to contact after the show. Most sales are made after the show, not during. Follow-up is essential. Send a letter or e-mail to all prospects within two weeks. In addition, make a personal phone call to those prospects with the greatest potential. One follow-up effort is not sufficient. A study by Incomm Center for Trade Show Research found two thirds of the actual purchases resulting from a visit to an exhibit took place 11 to 24 months after the show. The frequency of the follow-up can dramatically affect the success exhibitors obtain from a show. It is not unreasonable to conduct six or seven mailings to prospects during the first twelve months following the show.

Email Service Providers are a great resource for helping you maintain an e-mail database from your trade show leads. They provide numerous advertising templates and ways to maintain contact with your customers. Generally, their minimal fees are based on the number of e-mail addresses they maintain and "host" for you. Look into Constant Contact, Highrise, iContact, MailChimp, Vertical Response, or others to compare features and prices.

Social Media

Facebook, YouTube, Pinterest, LinkedIn, Twitter, Instagram, blogs, and other social media outlets are great ways to communicate with consumers and build your brand. These free avenues allow customers to interact in ways traditional marketing avenues don't allow. Social media pages can be used to give customers ideas on new ways to use your product, provide customer support, and provide interactive experiences with photos, videos, contests, etc.— and much more.

In the world of technology, social media evolves at a dizzying pace but do not be intimidated! Begin by identifying where your potential clients are spending their time and become active on those specific social networks rather than expending more time and effort on platforms that won't be seen by the right people.

Many organizations offer free or low-cost seminars on current social media trends. Check your local Small Business Development Center at www.idahosbdc.org for a list of upcoming social network events. Additionally, the Specialty Food Association posts great resources online regarding social media for the specialty foods producer. To learn more, visit www.specialtyfood.com.

IDAHO PREFERRED® PROGRAM

Idaho Preferred® is a program managed by the Idaho State Department of Agriculture to identify and promote Idaho food and agriculture products. Idaho specialty foods companies may participate in the many promotional programs offered through the Idaho Preferred® program if the product contains a minimum of 20% agricultural content by weight that has been grown or raised in Idaho and is processed in the state of Idaho. Membership is $100 for producers and is paid annually.

Idaho Preferred® participants have the opportunity to take advantage of:

- Retail promotions
- Foodservice partnerships
- Educational programs
- Consumer events
- TV and online advertising
- Website listing
- Media opportunities
- Newsletter and blog features

In addition to these services, Idaho Preferred® members have the opportunity to use the Idaho Preferred® logo on their packaging, signs, website, and other promotional materials. Recent market research found over 40% of consumers statewide recognize the Idaho Preferred® logo. The Idaho Preferred® logo lets your current and potential customers know that your products are the "Pick of the Crop from Idaho."

For more information, visit www.idahopreferred.com or call the Idaho State Department of Agriculture at (208) 332-8530.

FUNDING YOUR SPECIALTY FOOD BUSINESS

Whether you are wanting to start your specialty food business or have been in business for some time, funding, capital, and free resources are always a hot topic.
There are many resources to help guide you through choosing the best option on how to fund your business or get additional assistance to fund various projects or marketing efforts, including:

Educational Resources

The Small Business Administration (SBA) is a great first place to look to learn about funding options for your business. In addition to funding assistance, the SBA can help your business with creating a marketing and business plan through the SCORE Program, free of charge.
See Appendix A for more information about the SBA.

Crowdfunding Websites

The recent of popularity of crowdfunding sites is bringing more avenues for public funding through websites such as:

- Kickstarter, https://www.kickstarter.com/
- IndieGogo, https://www.indiegogo.com/
- GoFundMe, https://www.gofundme.com/
- Barnraiser, https://www.barnraiser.us/
- Fundable, https://www.fundable.com/

Compare the offers of each site to see which best fits your company and needs.

Food Business Investors, Grants, and Loans

Consider reaching out to an Angel Investor Forum in your area to pitch your product and company to investors in the area that want to support local businesses:

- Boise Angel Alliance, https://www.boiseangels.com/
- Keiretsu Forum Boise, http://www.keiretsuforum.com/global-chapters/boise

The Idaho State Department of Agriculture maintains a Grants List that can be found on the ISDA website. The Grants Lists identifies various active grants and loan programs, as well as the government and third-party databases where a full list of grant information can be found. Visit the following link to see the list and learn which program best applies to your business: https://agri.idaho.gov/main/wp-content/uploads/2018/05/Grant-list-update-2018.pdf.
You can also contact ISDA's Market Development Division to see if there are any other current opportunities (such as grant competitions or trade shows) for specialty food businesses at (208)332-8530.

Books and Online Publications

There are many written publications on helping companies with various aspects of starting and funding a business. Consider finding a book at your local public library, at a book store near you, or hop on the web for online articles and e-books.

APPENDIX

APPENDIX A — BUSINESS RESOURCES

The Small Business Administration (SBA) is an independent federal agency that provides counseling, training, and financing to small businesses. A variety of free seminars and courses are offered by the SBA throughout the year, including financial analysis, record keeping, marketing, and business planning.

The SBA offers consulting through the SCORE (Service Corps of Retired Executives) program free of charge, assisting with how to write a business plan, financing, accounting requirements, legal issues, and marketing. SCORE can be contacted at:

SCORE - Boise Office
380 E. Parkcenter Blvd, Suite 330
Boise, ID 83706
Phone: (208) 334-1696
Web: treasurevalley.score.org
Email: help@score.org

SCORE - Idaho Falls Office
2300 N. Yellowstone Hwy, Suite 100B
Idaho Falls, ID 83041
Phone: (208) 523-1022
Web: easternidaho.score.org
Email: help@score.org

The SBA also offers financing to eligible small businesses. The loans are handled by commercial lending institutions and guaranteed by the Small Business Administration.

In addition to private sources of capital and loans through commercial lending institutions, funds are available for business development from several government sponsored programs in Idaho. Contact your local Idaho Small Business Development Center and nearest SBA office for more information.

Small Business Administration
Boise District Office
380 East Parkcenter Blvd. Suite 330
Boise, Idaho 83706
Phone: (208) 334-9004
Web: www.sba.gov/offices/district/id/boise

Business Training

Beginning your own specialty foods business can seem to be a daunting task but there is plenty of help available to you as you begin the process. **TechHelp** works in cooperation with universities in Idaho to offer many business training options to the food entrepreneur. They offer a full line of services to Idaho's food processors to help them improve their products, processes, and competitiveness.

TechHelp offers a variety of workshops—often for free or a nominal charge—which provide valuable insight into waste reduction in work processes, floor space utilization, how to increase productivity, develop new products, locate new markets, and how to become more profitable.

They also offer training on food safety programs and help to address regulatory and compliance issues in this industry. For a complimentary consultation on new product development, operational excellence, or food & dairy processing you may call (208) 426-3767 or fill out their electronic request form at www.techhelp.org/assessment.

The **University of Idaho Food Technology Center (FTC)** is an excellent resource for start-up specialty foods businesses. The FTC regularly schedules classes on business, technical, and education assistance to kick-start companies in their business ventures. Visit web.cals.uidaho.edu/ftc for a list of upcoming events.

The **Idaho Small Business Development Center (SBDC)** is a statewide, university-based organization which has been helping small businesses succeed since 1986.

Idaho SBDC assistance is available to anyone interested in expanding or starting a private small business in Idaho. Often, the consultations are free of charge and training is offered at a nominal fee. Approximately 98% of all firms in Idaho qualify as small businesses and, therefore, are eligible for assistance from the nearest Idaho SBDC office.

With six office locations throughout the state, each affiliated with one of Idaho's colleges or universities, the Idaho SBDC has the ability to link together their partners from higher education, the private business community, and federal, state and local government.
Web: idahosbdc.org.

The SBDC also provides a webpage that will walk you through each step of starting a new business.
Web: http://idahosbdc.org/i-am-starting-a-business/.

Business training and counseling services are also available from Idaho's Small Business Development Centers.

Idaho Small Business Development Centers

Region I – North Idaho
Serving: Boundary, Bonner, Kootenai, Benewah, and Shoshone counties
North Idaho College SBDC
420 N. College Dr., Hedlund Bldg. #145
Coeur d'Alene, ID 83814
Phone: (208) 665-5085
Web: idahosbdc.org/locations/north/

Region II – North Central Idaho
Serving: Latah, Clearwater, Nez Perce, Lewis, and Idaho counties
Lewis-Clark State College SBDC
406 Main Street
Lewiston, ID 83501
Phone: (208) 792-2465
Web: idahosbdc.org/locations/northcentral/

Region III – Southwest Idaho
Serving: Adams, Valley, Washington, Boise, Payette, Gem, Canyon, Ada, Elmore, and Owyhee counties
Regional Office - Boise State University SBDC – Micron Business & Economics Building
2360 W. University Drive, Suite 2132
Boise, ID 83706
Phone: (208) 426-3875
Web: idahosbdc.org/locations/southwest-Idaho/

Boise Business Accelerator
520 West Idaho Street
Boise, ID 83720

Nampa Business Accelerator
5465 East Terralinda Way
Nampa, ID 83687

Region IV – South Central Idaho
Serving: Camas, Blaine, Gooding, Lincoln, Jerome, Minidoka, Twin Falls, and Cassia counties
College of Southern Idaho SBDC
202 Falls Avenue
Twin Falls, ID 83301
Phone: (208) 732-6450
Web: idahosbdc.org/locations/south-central/

Region V – Southeast Idaho
Serving: Bingham, Power, Bannock, Caribou, Oneida, Franklin, and Bear Lake counties
Idaho State University SBDC – ISU College of Business
921 S 8th Ave., Building #5, Room 328
Pocatello, ID 83209-8020
Phone: (208) 244-8521
Web: idahosbdc.org/locations/southeast/

Region VI – East Idaho
Serving: Lemhi, Custer, Butte, Clark, Fremont, Jefferson, Madison, Teton, and Bonneville counties
Idaho State University SBDC – ISU College of Business
2300 N Yellowstone Hwy.
Idaho Falls, ID 83401
Phone: (208) 523-1087
Web: idahosbdc.org/locations/eastern/

Visit www.idahosbdc.org for a list of current contacts at each SBDC Region location.

APPENDIX B — FOOD PROCESSING RESOURCES

Food Processing & Laboratory Resources

University of Idaho Food Technology Center
1908 E. Chicago Street
Caldwell, ID 83605
Phone: (208) 795-5331
Web: uidaho.edu/cals/food-technology
Email: baumhoff@uidaho.edu

Analytical Laboratories, Inc.
1804 N. 33rd Street
Boise, ID 83703
Phone: (208) 342-5515
Web: www.analyticallaboratories.com
Email: ali@analyticallaboratories.com

Covance Food Solutions
Princeton, NJ
Phone: (608) 395-3777
Web: https://covancefoodsolutions.com/

Food Processing Publications

Food Processing
Phone: (630) 467-1300
Website: www.foodprocessing.com
Provides a nationwide directory for sources of:

- National associations
- Federal government agencies
- Architects and engineers
- Plant sites
- Food lab/services
- Computer software
- Ingredient suppliers
- Equipment suppliers

Food Product Design/Natural Products Insider
Website: www.naturalproductsinsider.com
Offers a variety of information in their resource center including:

- Podcasts
- Webinars
- Industry Reports
- White Papers

Food Technology
Phone: (312) 782-8424
Web: www.ift.org
Offers newsletters and special reports.

Prepared Foods
Phone: (248) 362-3700
Web: www.preparedfoods.com
Provides a nationwide directory of suppliers for:

- Equipment
- Ingredients
- Packaging materials
- Instruments
- Sanitation and maintenance
- Service and supplies

APPENDIX C — IDAHO HEALTH DISTRICT OFFICES

When calling one of the Heath District offices, listen to the choices and choose "Environmental Health" or "Food Services" depending on the options on the recorded message.

Panhandle Health District
Serving Benewah, Boundary, Bonner, Shoshone, and Kootenai counties
8500 N. Atlas Rd.
Hayden, ID 83835
Phone: (208) 415-5100
Web: www.phd1.idaho.gov

North Central Health District
Serving Clearwater, Idaho, Latah, Lewis and Nez Perce counties
215 10th Street
Lewiston, ID 83501
Phone: (208) 799-3100
Web: www.idahopublichealth.com

Southwest District Health
Serving Adams, Canyon, Gem, Owyhee, Payette and Washington counties
13307 Miami Ln.
Caldwell, ID 83607
Phone: (208) 455-5300
Web: www.publichealthidaho.com

Central District Health Department
Serving Ada, Boise, Elmore and Valley counties
707 N. Armstrong
Boise, ID 83704
Phone: (208) 375-5211
Web: www.cdhd.idaho.gov

South Central District Public Health
Serving Blaine, Camas, Cassia, Gooding, Jerome, Lincoln, Minidoka and Twin Falls counties
1020 Washington Street N.
Twin Falls, ID 83301
Phone: (208) 737-5900
Web: www.phd5.idaho.gov

Southeastern Idaho Public Health
Serving Bannock, Bear Lake, Bingham, Caribou, Franklin, Oneida and Power counties
1901 Alvin Ricken Drive
Pocatello, ID 83201
Phone: (208) 233-9080
Web: www.siphidaho.org

Eastern Idaho Public Health District
Serving Bonneville, Butte, Clark, Custer, Fremont, Jefferson, Lemhi, Madison, and Teton counties
1250 Hollipark Dr.
Idaho Falls, Idaho 83401
Phone: (208) 522-0310
Web: www.eiph.idaho.gov

APPENDIX D — OTHER RESOURCES

Idaho State Department of Agriculture
Market Development Division
P.O. Box 790
Boise, Idaho 83701
Phone: (208) 322-8530
Web: www.agri.idaho.gov

Idaho Department of Health & Welfare
Food Protection Program
Phone: (208) 334-5938
Web: foodsafety.idaho.gov

IDAHO DEPARTMENT OF
HEALTH & WELFARE

Idaho Specialty Foods Association
5150 N. Montecito Pl.
Boise, ID 83704
Phone: (208) 375-3720
Web: www.idahospecialtyfoods.com

Specialty Food Association (SFA)
Phone: (212) 482-6440
Web: https://www.specialtyfood.com/

Idaho State Department of Agriculture
PO Box 790 Boise, Idaho 83701-0790
P: 208.332.8530 - F: 208.334.2879
www.agri.idaho.gov
www.idahopreferred.com